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Before the
Federal Communications Commission
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

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In the Matter of	)
	)
Support Materials for Carriers to File to	)
Implement Access Charge Reform	)
Effective January 1, 1998	)

MOTION TO ACCEPT REPLY COMMENTS ONE DAY LATE

Bell Atlantic respectfully asks the Commission to accept the attached Reply Comments of Bell Atlantic one day late. Preparation of this filing was delayed by the fact that the Commission decided on December 16 to change the level of universal service contribution that was to be incorporated in the access reform tariffs that were filed on December 17. Personnel that were working on the Reply Comments were required to redirect their efforts to the tariff filing.

Because there are no further responsive pleadings in this proceeding, no party will be prejudiced by grant of this motion. As a courtesy, Bell Atlantic is faxing a copy of this pleading on the parties who filed comments. Accordingly, Bell Atlantic requests that the Commission accept the attached filing one day out of time.

Bell Atlantic also requests that Attachment A of the filing, marked "Contains Privileged and Confidential Information - Do Not Release," be placed under protective order, pursuant to the Commission's decision in Implementation of Section 402(b)(1)(4) of the Telecommunications Act of 1996, 12 FCC Rcd 2170 (1997). The attached document for which confidential treatment is being requested contains commercially sensitive information about the company's costs for switching equipment.

Respectfully Submitted,

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Telephone Companies

December 18, 1997

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of

Support Materials for Carriers to File to
Implement Access Charge Reform
Effective January 1, 1998

REPLY COMMENTS OF BELL ATLANTIC

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SUMMARY

Although the Commission's Access Charge Reform Order will reduce the access charges paid by interexchange carriers by hundreds of millions of dollars, the interexchange carriers seek additional rate reductions that would turn what was supposed to have been a revenue-neutral access rate restructure into an even larger net revenue loss for the local exchange carriers. The Commission should reject these efforts. No commenter has demonstrated any error in the way that Bell Atlantic proposes to implement the Commission's access reform rules. If the Commission nonetheless decides to put the tariffs under investigation, it should protect ratepayers and local exchange carriers alike by adopting a true-up mechanism that would correct the effect of rates that were either too high or too low during the period of the investigation.

Bell Atlantic correctly calculated the costs of line ports that will be shifted from the Local Switching category to the Common Line category. No commenter demonstrated any errors in Bell Atlantic's cost calculations. While AT&T complained that there were wide variations in the percentages of line port costs among the carriers, the Commission anticipated such variations, which are the product of numerous factors, such as differences in the mix of switch types, the amounts paid for switches and other equipment, the dates switches were installed, and the number of lines served by each switch. The commenters are wrong in arguing that the LECs should have applied their percentages of line ports per switch times the amount of revenues in the Local Switching basket. The methodology that Bell Atlantic used is consistent with the Commission's rule

that exogenous cost changes in general, and these changes in particular, should be based on cost.

Bell Atlantic also demonstrates herein that it correctly calculated the costs to be removed from the residual transport interconnection charge and that it properly reassigned the transport interconnection charge revenues to transport rates that were deaveraged by zone.

Bell Atlantic's development of tandem switched transport rates is consistent with the Commission's rules. Bell Atlantic properly identified the costs of tandem trunk ports and SS7 based on studies of actual booked costs. MCI's argument that Bell Atlantic should have shifted costs to these categories based on tandem revenues rather than costs is contrary to the Commission's findings in the Access Charge Reform Order. MCI's complaint that Bell Atlantic had relatively large SS7 costs in the tandem switching category fails to recognize that Bell Atlantic has deployed SS7 exclusively at tandem switches, while some other LECs have deployed SS7 at end offices, which puts their SS7 costs in the local switching category. MCI is wrong in arguing that Bell Atlantic should have accounted for the impact of eliminating the effect of the unitary rate structure by submitting a cost study. In response to MCI's questions about how Bell Atlantic calculated the effect of eliminating the unitary rate structure, Bell Atlantic has included additional information in this filing on the expected revenue shifts.

The commenters are wrong in their basic assumption that the number of multiline business end user common line charges (" EUCLs") should not have changed in this filing. The Commission's decision to establish a new EUCL for ISDN-BRI lines affected the count of multiline business EUCLs, which previously included ISDN-BRI lines. The commenters are also wrong in assuming that the count of EUCLs should equal the count of presubscribed interexchange carrier charges ("PICCs"). The Commission's rules do not require the LECs to apply EUCLs to official lines, employee concession services, or Feature Group A lines, but these lines should be assessed a PICC, since they are presubscribed to interexchange carriers.

Bell Atlantic has demonstrated that the data in its tariff review plan are accurate and fully supported. The commenters have presented no basis for investigation of the January 1, 1998 tariff revisions.

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of Support Materials for Carriers to File to Implement Access Charge Reform Effective January 1, 1998

REPLY COMMENTS OF BELL ATLANTIC[1]

In its Tariff Review Plan "(TRP") filing, Bell Atlantic demonstrated that its December 17, 1997 tariff filing will correctly implement changes in the access charge structure that the Commission required in the Access Charge Reform Order.[2] Contrary to the impression given by some of the interexchange carriers, who seek hundreds of millions of dollars in additional rate reductions,[3] access reform was intended to be

[1] The Bell Atlantic telephone companies ("Bell Atlantic") are Bell Atlantic-Delaware, Inc.; Bell Atlantic-Maryland, Inc.; Bell Atlantic-New Jersey, Inc.; Bell Atlantic-Pennsylvania, Inc.; Bell Atlantic-Virginia, Inc.; Bell Atlantic-Washington, D.C., Inc.; Bell Atlantic-West Virginia, Inc.; New York Telephone Company; and New England Telephone and Telegraph Company.

[2] Access Charge Reform, 7 Comm. Reg. (P&F) 1209 (1997) ("Access Charge Reform Order").

[3] As a result of the Commission's decision to shift substantial revenues from usage-based charges on carriers to flat-rated charges on end users, together with reductions associated with the change in allocation of general support facilities costs and the disallowance of equal access costs, the interexchange carriers will enjoy substantial rate reductions in the January 1, 1998 tariff revisions. In the Bell Atlantic region alone, carrier charges will decline by about $247 million.

revenue-neutral for the local exchange carriers. The Access Charge Reform Order generally required a shift from usage-based charges on carriers to more cost-causative flat-rated charges on end users and carriers. Rates are to be calculated so that the revenues from the new and increased rate elements equal the revenues removed from the reduced rate elements. Bell Atlantic desires neither a windfall from rates that are too high nor a shortfall from rates that are too low. The interexchange carriers, however, seek additional reductions through greater shifts of costs to end users and through unilateral rate reductions by the local exchange carriers. The Commission should reject these efforts.

The interexchange carriers urge the Commission to suspend and investigate the tariff filings, hopeful that they will be able to obtain refunds if any individual rate elements are later found to be excessive. Given the magnitude of the rate changes that will be made in this filing, and the uncertainty concerning how new rate elements such as the presubscribed interexchange carrier charges and the higher rates for second lines will be applied, there is a possibility that revenues under the new rate structure will be higher or lower than expected. The Commission should not expose the LECs to refunds for charges that are later determined to have been too high without providing a mechanism for recovering revenues from rates that are later determined to have been too low.

If the Commission believes that the tariffs should be investigated, it should approve the tariff filings as temporary rates under Section 204(b), subject to true-up at a later time that would cure previous over-recoveries or shortfalls through going-forward rate adjustments. To the extent that the true-up process allowed the local exchange carriers to recover previous shortfalls, it would not constitute retroactive ratemaking, because the Commission would have put ratepayers on notice that "rates being promulgated are provisional only and subject to later revision."[4]

For this reason, the Commission should make it clear at the outset that a true-up may be implemented at a later date both for rates that are too high and too low. This would protect the interests of both the local exchange carriers and their ratepayers.

I. Bell Atlantic Correctly Calculated Its Line Port Costs.

AT&T and MCI urge the Commission to investigate the amount of line port costs that Bell Atlantic and other LECs removed from the Local Switching category and assigned to the Common Line category.[5] They argue that Bell Atlantic (1) did not provide adequate cost support for the percentages of switch costs identified with line ports; and (2) incorrectly applied the percentages of line ports to the amount of switching costs, rather than to the amount of Local Switching revenues. Neither point is valid.

With regard to the first argument, Bell Atlantic provided extensive details concerning its calculation of line port costs.[6] The only data that AT&T questions are the input values for the percentages of switch costs that are associated with line ports in each state. As Bell Atlantic explained in the Description and Justification accompanying the Tariff Review Plan, Bell Atlantic derived its percentage of line port costs from the output

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[4] ***Columbia Gas Transmission Corp. v. FERC***, 895 F.2d 791, 797 (D.C. Cir. 1990).

[5] ***See*** AT&T, pp. 6-10; MCI, pp. 2-6.

[6] ***See*** TRP D&J, pp. 19-21; Workpapers EO Port-1, EO Port-2 2N & 2S.

of the Bellcore Switching Cost Information System ("SCIS"), which produced unit investment data for each type of switching technology.[7] AT&T argues that Bell Atlantic has not justified the use of SCIS for this purpose, and that the Commission should not allow the local exchange carriers to use "internal, proprietary, and non-verifiable" cost studies for rate-making purposes.[8] This is a red herring. Any development of switch port costs will involve proprietary data at some level, such as the prices the local exchange carriers pay for switches. Bell Atlantic and other local exchange carriers have used SCIS for over 10 years to develop unit cost studies both for tariff filings and for internal purposes.[9] SCIS develops actual costs based on the existing network and verifiable booked costs. The Commission's staff, and third parties that signed confidentiality agreements, examined SCIS extensively in the open network architecture proceedings.[10] After almost two years of study, including review by independent auditors, the

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[7] The percentages of line port costs are shown by state in Workpapers EO Port-2N & 2S, line 2. AT&T argues that the Commission should require the LECs to justify and document, by switch type and manufacturer, the investments that they included in the percentages of line port costs. Attachment A provides this information, which consists of the output of the SCIS model.

[8] AT&T, pp. 6-7.

[9] AT&T complains that some LECs removed insufficient line port costs from the Local Switching category, because they used SCIS to generate incremental line port costs. AT&T, p. 8. This criticism does not apply to Bell Atlantic, which used SCIS to allocate actual, booked switch costs to line ports.

[10] ***See*** Commission Requirements for Cost Support Material To Be Filed with Open Network Architecture Access Tariffs, 7 FCC Rcd 1526 (Com. Car. Bur. 1992).

Commission found SCIS to be "fundamentally sound."[11] AT&T has not demonstrated why the Commission should go through another investigation of SCIS, or why the model should be excluded from the ratemaking process.

AT&T argues that the variations in the percentages of line port costs among the local exchange carriers raise questions about their accuracy.[12] However, as AT&T concedes, the Commission expected the percentages of line port costs to vary among the local exchange carriers due to differences in the types of switches that they have deployed.[13] These variations also reflect factors such as the amounts paid for switches (which is affected by the dates that switches were deployed and the discounts that each local exchange carrier was able to negotiate), the amounts of original equipment and later add-ons, the costs of installing the switches, and the number of lines per switch. For these reasons, the percentages of line port costs should be expected to vary between companies, and between states, even where the percentages of switch types are the same. Such variations, standing alone, do not offer a basis for criticizing the local exchange carriers' cost data.

The commenters' second argument is that the percentages of local switching costs that Bell Atlantic removed from the Local Switching category were too small because

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[11] ***See*** Open Network Architecture Tariffs of Bell Operating Companies, 9 FCC Rcd 440 (1993), para. 82. In contrast, the validity of the proxy cost models cited by AT&T is still at issue, and the Commission has not found any of the existing models to be usable for any purpose.

[12] ***See*** AT&T, pp. 6-10.

[13] ***See*** *id.*, p. 10.

Bell Atlantic (and the other local exchange carriers) applied the percentages of line port costs to their Local Switching revenue requirements rather than to the amount of revenues in the Local Switching basket.[14] However, the Access Charge Reform Order and the Commission's rules require the local exchange carriers to use costs, rather than revenues, to remove line port costs from the Local Switching basket. The Access Charge Reform Order requires the local exchange carriers to remove line port costs from Local Switching, so that these costs can be recovered from the Common Line category on a cost-causative basis.[15] Section 69.306(d) states that line-side port costs shall be assigned to the common line element. Section 69.157 states that the costs of ISDN line ports and the line ports of similar services that exceed the costs of a basic, analog line port shall be recovered through a separate end user charge. None of these rules refer to the removal of revenues in excess of costs. Furthermore, using revenues to shift line port costs to the Common Line category would be inconsistent with the way that Base Factor Portion costs, and the EUCL rates that will be based on them, will be developed in subsequent annual access tariff filings. That is, the LECs must use Part 69 rules to forecast costs for the Base Factor Portion, which will now include line port costs, to calculate the subscriber line charge.

If there is one point where we agree with the commenters, it is that the Commission should clarify as soon as possible, and before the January 1 tariffs become

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[14] ***See*** AT&T, pp. 11-12, Exhibit A; MCI, pp. 3-6.

[15] ***See*** Access Charge Reform Order, para. 125.

effective, whether it intends to change its policy and require the local exchange carriers to use Local Switching revenues to shift line port costs to the Common Line category. If the Commission were to decide at a later time that the local exchange carriers should have shifted more costs out of Local Switching, the purchasers of Local Switching services might seek refunds, despite the fact that the local exchange carriers would have charged less than they should have from the Common Line category. The Commission should avoid exposing the local exchange carriers to such potential liabilities by deciding at an early date how it wants this exogenous cost change to be made. In addition, the Commission should put the parties on notice that if it decides at a later time that local switching rates should be reduced, it will allow the LECs to true-up both local switching rates and flat-rated end user and carrier charges to correct any previous misallocations.

II. Bell Atlantic Correctly Calculated The Residual TIC.

A. There Is No Need To Recalculate The Residual TIC.

AT&T argues that Bell Atlantic did not comply with paragraph 237 of the Access Charge Reform Order, which requires the local exchange carriers to make exogenous adjustments to the price cap indexes if it now appears that they targeted too much of the X-factor to the residual TIC in the July 1, 1997 access tariff revisions.[16] There was no need for Bell Atlantic to recalculate the targeting of the TIC. The residual TIC in the Bell Atlantic region is far larger than the amount of the X-factor reductions that were incorporated in the July 1, 1997 tariffs. Therefore, differences between the amount of

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[16] ***See*** AT&T, p. 31.

facilities-based costs that were estimated in the July 1 tariffs and the actual amounts in the January 1, 1998 tariffs and later filings are not significant enough to require any reversal of the X-factor amounts that were targeted to the TIC. To prove this, Bell Atlantic has included as Attachment B the worksheets proposed by AT&T on page 29 of its comments. These worksheets show that that there was no excess targeting of X-factor reductions to the TIC in the July 1 tariffs.[17]

B. Bell Atlantic Properly Apportioned Marketing and Central Office Equipment Maintenance Expense Exogenous Cost Changes To The Residual TIC.

AT&T argues that Bell Atlantic did not properly apportion its exogenous cost changes for marketing and central office equipment maintenance expenses between service related and non-service related portions of the residual TIC, because Bell Atlantic did not use the TIC as it existed prior to July 1, 1997.[18] However, the Commission did

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[17] AT&T states that BellSouth was the only LEC that properly applied its remaining facilities based portion of the TIC to be reallocated in its CAP-1 Ln 690 figures, and that Bell South was the only LEC to use the same figure in its Workpaper for facilities-related costs and in CAP-1 Ln 690. ***See*** AT&T, pp. 27, 31. AT&T also claims that Bell Atlantic north did not make a calculation of the service-related costs remaining in the TIC. ***See*** *id.*, Exhibit J. AT&T is simply wrong. The calculation of the service related costs in the TIC was displayed in Workpaper SVCTIC for both Bell Atlantic North and South. The amounts shown on line 5 of this workpaper, \$15,377,846 and \$29,638,812 for Bell Atlantic North and South respectively, are the same amounts shown on the CAP-1 forms, Line 690 for the North (NXTR filing entity on the CAP-1 form) and South (BATR filing entity on the CAP-1 form). Bell Atlantic South also filed state jurisdiction specific CAP-1 forms for the purpose of displaying adjustments to the End User charges, but the amount on Ln 690 is for the Bell Atlantic South region and is displayed on the total regional (BATR filing entity) form.

[18] ***See*** AT&T, pp. 31-32.

not instruct the local exchange carriers to calculate the cost shift retroactively. Rather, the Commission required the local exchange carriers to make these exogenous cost changes to remove the costs currently remaining in the trunking basket.[19] AT&T's only point is that a local exchange carrier might not have enough revenues in the non-service related residual TIC to remove a sufficient amount of these costs. This is the same argument that AT&T made regarding targeting of the X-factor. That is, AT&T claims that the local exchange carriers should show that the amount of the X-factor reductions in the July 1, 1997 tariffs left enough revenues in the residual TIC to allow for removal of service-related costs as well as marketing and central office equipment maintenance costs from the TIC in the January 1, 1998 and later filings.[20] As Bell Atlantic showed above, there are more than enough residual revenues in Bell Atlantic's January 1, 1998 residual TIC to allow removal of all service-related costs as well as marketing and central office equipment maintenance costs.

AT&T also argues that Bell Atlantic did not remove both marketing and central office equipment maintenance costs from the TIC.[21] There is no basis for this claim. The amount of marketing expenses that Bell Atlantic removed from the TIC category is set out in its filing.[22] Bell Atlantic removed these costs directly from the TIC because the

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[19] ***See*** Access Charge Reform Order, paras. 223, 323.

[20] ***See*** AT&T, n. 25, 26.

[21] ***See*** *id.*, p. 32.

[22] ***See*** Form Supp-EXG2, page 1, line 200.

Commission required the local exchange carriers to remove marketing expenses only from services that were not provided directly to end users.[23] The amount of central office equipment maintenance costs that Bell Atlantic removed from the Trunking Basket is shown in the filing.[24] A portion of this amount was removed from the TIC, corresponding to the change to the TIC service band index upper limit that resulted from the exogenous adjustment to the Trunking Basket. The exogenous adjustment for COE maintenance costs was made at the basket level because these costs have been allocated to, and will be removed from, all services in the basket. Accordingly, the COE maintenance exogenous adjustment is shown in the filing as part of the total "undesignated" costs that were removed from the trunking basket.[25] As with any ordinary exogenous cost change to the entire basket, the TIC receives a portion of the basket change based on its relative revenues.

C. Bell Atlantic Properly Applied Reallocated TIC Costs For Local Transport Rates That Were Deaveraged.

AT&T argues that Bell Atlantic miscalculated the exogenous cost adjustments associated with deaveraged transport rates.[26] In paragraph 227 of the Access Charge Reform Order, the Commission required any local exchange carrier that had deaveraged its transport rates in the past to remove an amount representing the higher costs of serving

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[23] ***See*** Access Charge Reform Order, para. 323.

[24] ***See*** Form Supp-EXG2, page 2, line 519.

[25] ***See*** Form Supp-EXG2, line 519.

[26] ***See*** AT&T, pp. 32-33.

lower-density areas from the TIC and to shift these costs to its transport services. AT&T does not dispute the amount that Bell Atlantic removed from the TIC, but it argues that Bell Atlantic should not have reassigned these costs entirely to zone 2 and 3 rates.

AT&T is incorrect. The Commission instructed the LECs to "reallocate additional TIC amounts to facilities-based transport rates, reflecting the higher costs of serving low-density areas."[27] Accordingly, Bell Atlantic assigned these costs to the high cost, low-density zones 2 and 3. AT&T wants the Commission to require the LECs to assign a pro-rata share of these costs to the low cost, high density zone 1. This would be fundamentally inconsistent with the Commission's goal of developing cost-causative rates. Raising the service band limits for low cost areas would require the LECs to recover the costs of serving high cost areas from customers in low cost areas. This would not reflect the way that costs are incurred, and it would not enhance the ability of the LECs to develop market-based rates.

III. Bell Atlantic Correctly Calculated The Shift In Costs To Tandem Switched Rates.

MCI makes several arguments that Bell Atlantic incorrectly developed its rates associated with tandem switched transport.[28] None of its arguments has merit.

First, MCI argues that the LECs should have removed the costs of SS7 and tandem switch ports from the TIC as a percentage of "extant" tandem switching revenue

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[27] Access Charge Reform Order, para. 227.

[28] ***See*** MCI, pp. 7-11.

requirements (the amount originally included in 1993 as a result of the Local Transport restructure, as adjusted for subsequent changes in the price cap indexes), in the same way that the LECs calculated the shift of tandem switching costs from the TIC.[29] However, the Commission specifically stated that a LEC should remove the "extant" tandem switching costs from the TIC on the basis of "the percentage of its total original TIC that represented the 80 percent reallocation of its tandem switching costs when the TIC was created."[30] In contrast, the Commission did not prescribe a retroactive method of removing the costs of SS7 and tandem trunk ports from the TIC.[31] Absent specific instructions from the Commission, the normal rule is to use current costs to calculate exogenous adjustments.[32] Since the purpose of these exogenous cost changes is to develop cost-causative rates for SS7 and tandem trunk ports, it is appropriate to use actual current costs as the starting point.

Second, MCI complains that Bell Atlantic South attributed a relatively high proportion of its tandem switching revenues to tandem trunk ports.[33] MCI argues that

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[29] ***See*** *id.*, pp. 7-8.

[30] ***See*** Access Charge Reform Order, para. 197.

[31] ***See*** *id.*, paras. 174, 217.

[32] ***See, e.g.***, 1997 Annual Access Tariff Filings, CC Docket No. 97-149, Memorandum Opinion and Order, FCC 97-403 (rel. Dec. 1, 1997), paras. 125-28 (OB&C); 1993 Annual Access Tariff Filings, 12 FCC Rcd 6277 (1997), paras. 44-46 (General Support Facilities).

[33] ***See*** MCI, pp. 8-9.

Bell Atlantic made two errors; (1) Bell Atlantic used costs subject to separations, rather than interstate costs; and (2) Bell Atlantic based its costs on the cost of a DSO port rather than the more cost-effective DS1 ports. Neither of these statements is correct. Bell Atlantic derived tandem trunk costs by multiplying the non-separated unit cost of a port by a demand factor that was multiplied by the percentage of interstate usage. This was done to develop an exogenous cost change only for the interstate portion of tandem trunk ports. Second, Bell Atlantic started with the costs of a DS1 port, and then divided it by 24 to develop a cost per-DS0 equivalent trunk so that it could apply rates on a DS0 basis.

Third, MCI argues that Bell Atlantic has overstated the SS7 costs, because SS7 costs are a greater percentage of tandem switching revenue requirements for Bell Atlantic than for other LECs.[34] However, MCI provides no data to back up its claims. The Commission should note that Bell Atlantic's SS7 percentages a (9 percent in the north and 23 percent in the south, for a combined percentage of 16)[35] are not out of line with the percentages of the other LECs.[36] For example, SBC calculated SS7 as 16 percent of total tandem revenue requirements in Arkansas, Texas, and California.[37] Moreover, the amount of SS7 costs in the tandem category will vary based on the number of tandems,

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[34] ***See*** MCI, p. 10.

[35] ***See*** Workpaper STP, total lines 3 divided by lines 1.

[36] SS7 costs are shown in Workpaper STP as 100 percent of tandem costs in Delaware because Delaware is served by the Philadelphia tandem, and the only tandem-related costs in that state consist of SS7 equipment.

[37] ***See*** SBC D&J, Exhibit 11.

the costs of the tandems, the extent of SS7 deployment, and the location of the signaling transfer points (end office vs. tandem). Bell Atlantic has aggressively deployed SS7 signaling, and it has deployed all of its SS7 signaling transfer points at tandem offices. Where other carriers deployed their SS7 equipment at end offices, the costs of this equipment will appear in local switching rather than in tandem switching, and it will not be removed from the TIC.[38] In addition, the percentages of SS7 costs will vary depending upon the size of the area served by an SS7 signaling transfer point. For this reason, the SS7 percentages can and do vary significantly from state to state even within the Bell Atlantic region.

MCI also claims that Bell Atlantic did not explain how it derived its SS7 costs.[39] This is incorrect. Bell Atlantic explained that it identified SS7 signaling transfer point investments at the tandems through the use of Equipment Category Numbers for each study area for a representative sample month, November 1996.[40] These investments were divided by the total Category 2 tandem investments for the same month to derive percentages by state, which were then applied to the total 1996 tandem revenue requirement (adjusted for other changes to be implemented on January 1, 1998) to derive the tandem revenue requirements attributable to SS7. No commenter alleged any error in this methodology.

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[38] For example, US West has deployed 50 percent of their SS7 investment at end offices, and Cincinnati Bell removed no SS7 costs from the TIC, because all of its SS7 equipment has been deployed at end offices. ***See*** US West D&J, p. 14; CBT D&J, p. 7.

[39] ***See*** MCI, p. 10.

Finally, MCI complains that Bell Atlantic provided no cost support for its estimate of the revenue effect due to the elimination of the unitary rate structure.[41] No cost support is necessary. Elimination of the unitary rate structure will affect revenues, not costs. When the LECs eliminate the unitary rate structure on July 1, 1998, access customers that are currently paying a per-minute per-mile rate for tandem switched transport, based on the distance between the end office and the serving wire center, will pay somewhat higher rates under the three-part tandem switched rate structure. This will increase the LECs' revenues, but not their costs, because the underlying facilities will remain the same. Accordingly, Bell Atlantic used data from the Carrier Access Billing System database to estimate the revenue change that will occur when customers purchasing tandem switched transport under the unitary rate structure begin paying the three-part rates.[42] Attachment C provides additional support for Bell Atlantic's estimate of the impact of eliminating the unitary rate option.

IV. Bell Atlantic's Demand Calculations Are Correct.

A. Bell Atlantic Did Not Improperly Reduce Multiline Business EUCL Counts.

AT&T argues that Bell Atlantic should not have reduced the number of multiline business end user common line ("EUCL") counts from the level in the 1997 Annual

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[40] *See* Tariff Review Plan Description and Justification, pp. 29-30.

[41] *See* MCI, p. 11.

[42] *See* Workpaper SVCTIC.

Access Tariff Filing.[43] This is incorrect. Two factors required changes to the number of multiline business EUCLs. First, Bell Atlantic had to change the categorization of ISDN-BRI lines. Currently, Bell Atlantic charges the multiline business EUCL to business customers that purchase ISDN-BRI lines. Under the Access Charge Reform Order, these lines will now be charged the ISDN-BRI EUCL.[44] Accordingly, Bell Atlantic reduced the base year multiline business EUCL count by the amount of ISDN BRI lines purchased by business customers.[45] Second, Bell Atlantic had to change the number of multiline business EUCLs charged on ISDN-PRI lines. In the Access Charge Reform Order, the Commission decided that the LECs should apply a new EUCL to these lines that is no more than 5 times the multiline business EUCL rate.[46] Prior to July 1, 1997, Bell Atlantic-North charged 23 or 24 multiline business EUCLs on ISDN-PRI lines. The shift to an equivalent of 5 EUCLs on ISDN-PRI lines reduced the 1996 multiline business EUCL count by 401,045. This also accounts for the net reduction in total EUCLs noted by AT&T.[47]

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[43] ***See*** AT&T, pp. 35-36.

[44] ***See*** Access Charge Reform Order, para. 116.

[45] ***See*** TRP D&J, p. 41. Bell Atlantic reduced the multiline business EUCL count by 1,199,097 in the north and by 2,141,196 in the south to account for the removal of ISDN-BRI business demand.

[46] ***See*** Access Charge Reform Order, para. 116.

[47] ***See*** AT&T, p. 36.

AT&T also claims that Bell Atlantic's Lifeline EUCL counts decreased.[48] This is not correct. As is shown in AT&T's Exhibit K, Bell Atlantic <u>increased</u> its Lifeline EUCL demand in this filing by 182,244 lines in the south and by 33,094 lines in the north. Under the Commission's new universal service rules, Bell Atlantic will initiate Lifeline service on January 1, 1998 in New Jersey, Delaware, and New Hampshire. Lifeline customers in these states are currently charged the full residential EUCL, but will be included in Lifeline demand in the future.

B. The Commenters Are Wrong In Assuming That PICC Counts Should Equal EUCL Counts.

The commenters complain that none of the local exchange carriers' filings show the same demand levels for presubscribed interexchange carrier charges ("PICCs") as for EUCLs.[49] However, as they note, this difference is due to the fact that the LECs do not charge EUCLs to themselves on official lines or to their employees on concession services.[50] In addition, EUCLs do not apply to Feature Group A lines. However, official lines, concession service lines, and Feature Group A lines can be, and are, presubscribed to interexchange carriers. The Commission's rules require the LECs to assess PICCs on

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[48] ***See*** *id.*

[49] ***See*** MCI, pp. 13-14; AT&T, pp. 37-38; Sprint, pp. 2-4.

[50] ***See*** MCI, p. 14; AT&T, p. 38. The differences between EUCL and PICC counts on pages 3 and 4 of Sprint's comments are due to the exclusion of official lines from the EUCL charges.

all presubscribed lines.[51] For this reason, the count of PICCs will always exceed the count of EUCLs.[52]

The commenters argue that the Commission should order the LECs to treat official/employee lines the same for EUCL and PICC purposes by applying a EUCL charge on all lines that are assessed a PICC.[53] There is no merit to this argument. Since access charges were first established, the LECs have never assessed EUCLs on these lines. The Commission's rules have not changed in this regard. Moreover, such an imputation would have no effect on the LECs' overall rate level, as the "cost" of paying the EUCLs to themselves would be exactly matched by the additional "revenues."

C. The Commenters Have Demonstrated No Errors In The Estimates Of Non-Primary Lines.

AT&T requests suspension and investigation of all of the LECs' tariff filings because the projections of non-primary residential lines are below AT&T's

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[51] ***See*** 47 C.F.R. 69.153.

[52] In preparing this reply, Bell Atlantic did discover one computational error in the worksheet it used to develop the PICC demand forecast. The number on CAP-1, line 100 "Total Primary Res & SLB PICCs" for Bell Atlantic- South should have been 145,783,722 instead of 146,726,094. This error was corrected in the December 17, 1997 tariff filing, reducing the difference between the PICC and EUCL counts by 942,372.

[53] ***See*** MCI, p. 14; AT&T, p. 38.